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Market Development Reports

Food Business Line

Periodic Press Translations from ATO Tokyo

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Report Highlights: A summary of current news reports in America's largest food and agricultural export market as translated from Japan's mass media and food press. This issue's highlights include: Carrefour sparks intense competition among supermarkets in Osaka; convenience stores starting to open new outlets in hotels and institutional settings; sales of top 100 food service companies increase 3.5% in 2000; Starbucks opens first shop in Hokkaido; Nippon Restaurant Enterprise to start selling US-made bento lunch boxes in train stations this summer; and dried cranberries becoming popular with Japanese food manufacturers.

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Wholesale/Retail

- Ever since the opening of *Carrefour*'s first store in Osaka in February, there has been an increase in price competition in Komyoike among the area's 13 mid- and large-sized supermarkets. In response to competition from *Carrefour*, *Seiyu* plans to lower its profit target and increase the variety of its fresh food and *sozai* side dishes, such as *okonomi-yaki* Japanese-style pancakes and oven-fresh pizzas. *Daiei* also plans to add new *sozai* side dishes since the number of their customers in February declined 10% compared to the same period last year. Similarly, sales at the *Life* store in Shiroyamadai in February declined 15% compared to last year. (a 4/28)
- Major convenience store chains are starting to open new outlets in universities, hospitals, and hotels. Convenience store companies originally increased store numbers by franchising with small-and-medium sized liquor shops. However, due to the recent concentration of stores and limited land, they are now seeking to cooperate with larger companies in hotels and institutional settings. (a 5/3)
- According to an analysis by *The Food Industry News*, of 42 leading supermarkets, only 13 companies increased their total sales and profits in 2000, which is the lowest level in history. Moreover, only two companies reported an increase in sales on a same-store basis, reflecting the serious effects of deflation. (f 5/7)

Food Service

- According to a ranking of the top 50 food service companies in 2000 by the *Nikkei Marketing Journal*, food service chains with unique concepts, good taste, and quality grew rapidly. For example, *Reins International*, a company operating *Gyukaku yakiniku* grilled beef restaurants, achieved the highest rate of growth of 316%. (b 5/3)
- According to a survey by the *Japan Economic Newspaper*, total sales of the top 100 food service companies increased 3.5% in 2000 compared to the previous year. *McDonald's* has ranked first in terms of sales for 19 consecutive months. The *Food Service Industry Research Center* estimated the size of the overall food service market to be 27.1 trillion yen, 0.7% lower than in 1999 and the 3rd consecutive year of decline. (a 5/3)
- *Starbucks Coffee Japan* opened its first shop in Hokkaido on April 27. They plan to open five outlets in central Hokkaido by March 2002. (b 5/8)
- *Nippon Restaurant Enterprise (NRE)* will start selling US-made *bento* lunch boxes in railway stations this summer. The *bentos* made from California-grown organic ingredients will be shipped to Japan frozen after being manufactured by *NRE*'s subsidiary in California. *NRE* will start production at 10,000 *bentos* per day, and expects to gradually expand to 40,000. *NRE* also plans to sell the *bentos* in the U.S. market in the future. (b 5/10)
- *Jonathan's* opened a new suburban family-style restaurant "Jonathan's Kitchen" in Chiba Prefecture. Large dishes serving 2-3 people have been developed targeting families. (b 5/8)
- Osaka-based *Friendly* family-style restaurant chain started a take-out service for their lunch buffet priced at 1 yen per gram. (a 5/11)

Food Processing/New Products/Market Trends

- *Ocean Spray Cranberry's* Chief Executive Officer, Mr. Robert Hawthorne, and President, Mr. Malcom R. Lloyd, visited Japan in January to further promote U.S. cranberries. In addition to cranberry juices, they see particularly strong potential for dried cranberries in Japan. For example, *Kellogg's* has introduced a new line of cereals containing dried cranberries, and *Ocean Spray* is working with other Japanese manufacturers as well, such as *Shoei Foods*, *Morinaga* and *Meiji*, to develop products made with cranberries. (e 5/4)
- Osaka-based *Tokuoka* liquor retailer has introduced a popular, new private brand product made by a German beer manufacturer called "Hojoyun Monogatari" (Mellow Story). It has been gaining popularity due to its taste and reasonable price of 150 yen. *Tokuoka* changed its annual sales target to 120,000 cases, which is four times the original goal. (b 5/1)
- Fruit-flavored low-alcohol beverages are selling well. Following *Kirin Seagram's* hit "Two Dogs," *Suntory* introduced a lemon-fermented beverage called "Alex." *Japan Beer's* "Lemon Beer" import from the U.S. is also selling well, especially among women. (a 5/10)
- *Haagen-Dazs Japan* announced it will resume sales of its "Crispy Caramel Sandwich" on June 11 at its outlets nationwide, and ultimately roll it out to supermarkets and convenience stores in the Kanto region. This product was created for the Japanese market and sold out unexpectedly. (a 5/10)
- Japan's frozen vegetable imports skyrocketed in March 2001, increasing 8.3% in terms of quantity and 19.1% in terms of price compared to March 2000. Imports from China rose by 27.6% during this period to a 42.3% import market share, while shipments from the U.S. rose by 1.6% to an import share of 41.1%. (c 5/11)

ATO/Cooperator/Competitor Activities/Trade Shows

- A promotional event entitled "Tutta Italia!!" was held by the *Year of Italy in Japan Committee* and *Fuji Television* April 28 - May 6 at Tokyo Big Sight. (e 5/4)
- *ATO Tokyo* held a regional buyer showcase entitled "Nagoya Tokai American Food Expo" at the ANA Hotel Grand Court Nagoya on April 24. About 500 U.S. products were exhibited by 37 U.S. companies and cooperators. U.S. regional cuisine was also introduced featuring processed organic foods. (e 5/4)
- The *Raisin Administrative Committee* held a "California Raisin and Dairy Product Technical Seminar" on April 29 in Osaka and April 31 in Tokyo. (f 5/7)
- Australian net venture company *Rinknet Australia* has opened a virtual shopping mall for the Japanese market featuring Australian specialty products. The website address is: <http://www.shopanz.com> (b 5/10)
- International Festival Utage 2001 was held April 27 - May 6 at the INTEX Osaka. It was the largest fair ever with 330 exhibitors and 652,000 attendees. (c 5/11)

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Sources

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| (a) The Japan Economic Newspaper | (b) The Nikkei Marketing Journal |
| (c) The Japan Food Journal | (d) The Beverage & Food News Commentary |
| (e) The Japan Food News | (f) The Food Industry News |

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